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John Neagle

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Note On Bond Auction Delay

by John Neagle

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Last week the Mexican government announced the postponement, from Feb. 19 to Feb. 26, of an auction of up to \$10 billion in bonds in exchange for loans held by foreign banks. The banks are requested to exchange their loans to Mexico at discount for the government bonds, which are to be backed by US Treasury securities. The discounts are expected to range from 25 to 50%; Mexico City may reject any or all bids. Mexican officials also announced that a majority of its creditor banks had agreed to waive clauses in loan agreements that would have barred the issuance of the special bonds. Obtaining the waivers was a complicated process, involving 92 loan agreements.

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